

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL EIGHT)

Docket No. RM2015-17

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL EIGHT)
(August 5, 2015)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, submitted in response to numbered paragraph 6 on page 63 of Order No. 2472 (Docket No. R2015-4 May 7, 2015), relates to avoided costs for 5-digit pallets Standard Mail Carrier Route flats discounts, is labeled Proposal Eight, and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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PROPOSAL EIGHT

PROPOSED CHANGE IN STANDARD CARRIER ROUTE COST MODEL TO ESTIMATE MAIL PROCESSING COST AVOIDANCES FOR CARRIER ROUTE PIECES ON CARRIER ROUTES PALLETS

OBJECTIVE:

This proposal seeks to modify the modeling methodology used in USPS-FY14-11 (Docket No. ACR2014) Standard Mail Flats Cost Model so as to produce estimates of mail processing cost avoidances for Carrier Route pieces on 5-Digit Carrier Routes pallets. The general architecture of the model is retained but expanded to explicitly model the unique characteristics and flows of Carrier Route flat-shaped pieces.

BACKGROUND:

Prior to Docket No. R2015-4, the Carrier Route product only afforded customers entry discounts. In Docket No. R2015-4, the Postal Service introduced a preparation discount for pieces prepared on 5-Digit Carrier Routes (CRTS) Pallets. On page 63 of Order No. 2472 (May 7 2015), the Commission directed the Postal Service to "...file a proposed methodology for determining the costs avoided for the 5-digit pallet presort Standard Mail Carrier Route flats workshare discount, as described in the body of this Order, within 90 days of the date of this Order." This proposal is responsive to that directive.

PROPOSAL:

When a commercial mailer has at least 250 pounds of Carrier Route mail destinating in a 5-Digit or 5-Digit Scheme (Labeling List L001) the customer can prepare

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a CRTS pallet. The preparation of the CRTS pallet enables the Postal Service to cross-dock the pallet directly to the delivery unit and bypass all bundle sortation operations.

To provide estimates of the cost avoided for pieces prepared on CRTS pallets, the structure and methodology used to estimate cost avoidances of Standard Mail Flats is employed. This model provides engineering cost estimates of bundles and pieces based on the preparation profile of pieces within each rate element.

As in the Standard Flats model, the preparation profile for Carrier Route pieces on CRTS pallets and Carrier Route pieces on all other containers is taken from the Mail Characteristics Study (MCS) in USPS-FY14-14. Because of the change in qualification for FSS pieces, the FY14 Carrier Route data from the MCS are modified to exclude pieces prepared in FSS bundles, such that the preparation profile includes only pieces that qualify for Carrier Route rates under the new qualification standards.

The methodology employed to calculate bundle flow and piece flows are identical to those employed in the Standard Mail Flats models, but the flow parameters specific to Carrier Route are changed. These changes can be seen in the Excel files submitted on August 5, 2015 as part of USPS-RM2015-16/1 in Docket No. RM2015-16.